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Financial statements for the year 2017 as contained in the Report of the Board of Auditors to the General Assembly on the audited financial statements of the voluntary funds administered by the United Nations High Commissioner for Refugees for the year ended December 2017

Report by the High Commissioner

Addendum

Key issues and measures taken in response to the Report of the Board of Auditors for 2017

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I. Introduction

1. This report provides an overview of the key findings of the United Nations Board of Auditors (the Board) from its audit of the financial statements of the voluntary funds administered by the United Nations High Commissioner for Refugees (UNHCR) for the year ended 31 December 2017,[1] as well as the measures taken or proposed by the Office in response to the main recommendations issued in 2017 and those outstanding from previous years.

2. UNHCR prepared the financial statements for the year ended 31 December 2017 in accordance with the International Public Sector Accounting Standards (IPSAS). Following its examination, the Board concluded that the financial statements fairly presented, in all material aspects, UNHCR's financial position and its financial performance and cash flows for the year ended 31 December 2017, in accordance with IPSAS. During the course of the audit, the Board visited UNHCR Headquarters in Geneva, the Global Service Centre in Budapest, as well as the global warehouse in Copenhagen. It also examined field operations in Ethiopia, Kenya and the United Republic of Tanzania. The audit was conducted to enable the Board to form an opinion on UNHCR's financial statements and included a review of financial systems and internal controls, as well as a test examination of the accounting records and other supporting evidence to the extent that the Board considered necessary to form an opinion on the financial statements.

3. As part of its mandate, the Board also reviewed UNHCR's operations under United Nations financial regulation 7.5, which allows the Board to make observations on the efficiency of the financial procedures, the accounting system, the internal financial controls and, in general, the administration and management of the organization. The Board commented, among other things, on UNHCR's engagement with the sustainable development goals (SDGs), fraud and corruption prevention activities, and the use of individual consultants.

4. The Board reported key findings and issued 49 new recommendations, which included three related to the preparation of financial statements and 46 on the efficiency of financial procedures, the accounting system, the internal financial controls and, in general, the administration and management of the organization. The observations issued by the Board under regulation 7.5 related to the following aspects: (a) cash assistance to beneficiaries; (b) the SDGs; (c) fraud and corruption prevention; (d) use of individual consultants; (e) selected areas of supply chain management; and (f) business continuity management from an information and communication technology perspective.

5. As at 30 April 2018, of the 45 outstanding recommendations issued for 2016 and previous years, 27 recommendations (60 per cent) had been closed, 23 recommendations had been implemented and 4 had been overtaken by events. The remaining 18 recommendations (40 per cent) were in the process of implementation at the time of the review. The Board noted continuing progress in implementing outstanding recommendations, particularly those relating budget planning and programme review. Four recommendations from 2012 to 2014 relating to the global fleet management project and guidance on cost-effectiveness remained open, with ongoing progress in all these areas.

6. This document presents the Board's key findings for 2017 and outlines how UNHCR plans to address the identified risks. The paper also provides updates on the actions taken on key recommendations outstanding from previous years. Two matrices containing additional information on the status of implementation and follow-up actions for all 49 recommendations issued in 2017, as well as for the 18 outstanding recommendations from previous years, will be made available on UNHCR's website at www.unhcr.org/excom, under Standing Committee documentation for the seventy-third meeting.

[1] See A/73/5/Add.6.

II. Key findings relating to the 2017 financial statements

A. Financial overview

7. The Board confirmed that UNHCR remained in a strong financial position, with sufficient assets to meet its liabilities. It noted that the overall key financial indicators remained robust and that the level of demand for UNHCR interventions had further increased due to ongoing emergencies, resulting in an increase of $226.2 million in voluntary contributions.

8. The Board also noted the continuously challenging donor environment, the significant funding gap and the high level of earmarked donations for specific situations, which created challenges for management to deploy resources flexibly to meet demand across all areas of activity.

9. Acknowledging that sound financial management is an essential component of the framework of internal control, the Board noted that UNHCR had established stable control processes that facilitated the preparation of the financial statements and the oversight of the accounts. However, the Board identified some cases where additional controls and monitoring steps could be further enhanced. This could include, for example, better identifying control owners and responsible persons for monitoring measures. More manual detective controls could also be added to verify the functioning of the automated ones. UNHCR committed to reinforce the checks and controls in these areas for 2018 onwards.

B. Administration and management of the organization

Cash assistance to beneficiaries

10. The Board was pleased to note that UNHCR had launched a new administrative instruction on cash-based interventions (CBI) in December 2017, refined the CBI governance structure and placed staff working in this area across divisions. Furthermore, UNHCR continued building its CBI capacity, including through training activities for over 3,000 staff members and partners. The Board, however, recommended that UNHCR increase the training of trainers, who could in turn instruct multiple colleagues in the field. During a detailed sample check, the Board noted that the documentation requirements for some of the financial CBI processes were not consistently applied in the country operations. Furthermore, the Board noted cases where expenses or refunds from financial service providers were not recorded in the correct period.

11. UNHCR concurred with the recommendations and committed to continue strengthening training and monitoring efforts, and to issuing further guidance regarding the treatment of refunds and the maintenance of an appropriate document trail.

Sustainable development goals

12. The Board ascertained that UNHCR's contributions to the SDGs were in the spirit of the overarching principles of "leave no one behind" and targeted persons of concern to UNHCR. The organization's "Strategic directions 2017-2021" included the commitment to build on the 2030 Agenda for Sustainable Development and to promote the inclusion of persons of concern in national development frameworks. The Board noted, however, that the process of achieving a corporate position on the SDGs was ongoing. Furthermore, the Board noted that UNHCR had not yet fully assessed the programmatic implications of the 2030 Agenda and that the current results-based management (RBM) system and the corresponding information technology solutions did not provide references to the SDGs.

13. Equally, while acknowledging the positive developments of UNHCR to achieve more integrated United Nations Development Assistance Frameworks (UNDAF) at country operation level, the Board nevertheless identified that the SDG coordination mechanisms of national governments differed under processes for the comprehensive refugee response framework (CRRF) and the UNDAFs. The Board also found room for improvement in the

way country operations that had been visited supported national governments in implementing the SDGs.

14. UNHCR concurred with the recommendations and committed to accelerating the efforts to develop a corporate position which would form the basis for enhanced guidance to field operations. Furthermore, the scope of the results-based management (RBM) revision project would include optimum alignment of future results frameworks to the SDGs. With this in mind, UNHCR will work towards integrating relevant content related to the SDGs into existing learning programmes.

Fraud and corruption prevention

15. The Board noted that UNHCR had a strategic framework for the prevention of fraud and corruption in place, which is supplemented by additional policies and explanatory guidance. However, on its visits to country operations, the Board identified different levels of maturity with regard to fraud and corruption prevention activities. For example, the Board was of the opinion that country operations could enhance or refine their fraud and corruption risk assessment and develop local customized anti-fraud and anti-corruption strategies.

16. In response, UNHCR country operations, with support and guidance from Headquarters, are being encouraged to review and enhance the risk registers and to strengthen awareness of the negative impact of fraud and corruption through training and workshops at the local and regional levels. Furthermore, in several countries identified as the most risk prone, UNHCR launched the Risk Management 2.0 initiative designed to contribute proactively to fraud and corruption prevention. The Enterprise Risk Management (ERM) Unit and regional bureaux will increase their support to selected countries to build customized anti-fraud strategies.

Use of individual consultants

17. UNHCR has put in place policies and procedures that allow the organization to engage individual consultants under temporary contracts when they possess special skills or knowledge not readily available in UNHCR and for which there is no continuing need. In the sample of consultancy contracts selected, the Board noted instances of non-compliance with the policy in the areas of engagement, selection, monitoring and evaluation of individual consultants, as well as in relation to the payment process. For example, UNHCR hired consultants to perform regular day-to-day functions or to have supervisory responsibilities, which was not in line with the established policies.

18. The Board further observed that UNHCR could refine its policy and standard operating procedures for the use of individual consultants in the areas of advertisement of posts, the selection and engagement process, determination and negotiation of the consultant's fee and the horizontal segregation of duties when waivers are requested.

19. UNHCR took note of these recommendations and committed to address the findings by undertaking a review of the relevant policies and procedures, as well as by widening the scope of the clearance process in hiring individual consultants. UNHCR will also review the delegation of authority and ensure that the segregation of duties is better defined in relevant guidance documents.

Selected observations on supply chain management

20. The Board identified potential efficiency issues with regard to the location of the UNHCR global warehouse in Copenhagen. Furthermore, the Board noted a situation in the past when UNHCR had air-lifted a number of core relief items to locations where there was already sufficient stock nearby which belonged to neighbouring country operations. The Board was of the opinion that this was a costly solution and therefore recommended that UNHCR should make an assessment of how to more efficiently manage its stock of core relief items.

21. UNHCR agreed with these recommendations and will conduct an analysis of maintaining a warehouse in Copenhagen and other options, taking into consideration cost aspects together with other parameters that affect decision-making. UNHCR will

also assess ways to achieve a more efficient management of core relief items in stock at the global level and will develop a model accordingly.

Business continuity management from an information and communications technology perspective

22. The Board noted that UNHCR had established an organizational resiliency management system, of which information and communications technology disaster recovery was a component. The system was applicable in Headquarters and the data centre sites in Europe, but not in country operations. It also noted that there were several important and critical applications with no disaster recovery coverage. The Board recommended to include the remaining applications in the disaster recovery plan and to implement comprehensive backup guidelines in every operation.

23. UNHCR is committed to increase support to the field to harmonize the information and communications technology environment it will include the backup and disaster recovery guidelines in the information and communications technology (ICT) field operations manual.

III. Main recommendations for 2017 and measures taken to address them

24. This section contains the main recommendations made by the Board and the measures taken by UNHCR in response. The recommendations of the Board are set out in italics, with reference to the relevant paragraph of the Report of the Board of Auditors.

A. Cash assistance to beneficiaries

Recommendation (paragraph 46)

25. *The Board recommends that UNHCR strengthen the monitoring and evaluation of cash-based interventions training impacts. The Board encourages UNHCR to expand in-depth, on-site cash-based interventions trainings and the training of participants that can multiply knowledge and capacities that is, training the trainer or training the supervisor.*

Measures taken by the administration

26. Based on previous years' experience, UNHCR is refining its capacity-building strategy, as well as the monitoring and evaluation of training, in 2018. Having assessed that functional experts would better benefit from targeted field support courses, the revised approach focuses on delivering CBI trainings in functional areas, such as supply, protection, programme and finance, where specific knowledge is required. In addition, the CBI learning programmes have adopted a regional approach, guiding staff working in specific regions on how to work together to deal with practical issues related to CBI projects implemented in their operations.

Recommendation (paragraph 52)

27. *The Board recommends that UNHCR enhance the mechanisms for monitoring the cash-based interventions documents used by country operations through issuing additional guidance, conducting trainings and standardizing the key documentation required to be maintained as substantiation of the cash-based interventions transactions to the extent applicable when considering the local context.*

Measures taken by the administration

28. In 2017, UNHCR issued an administrative instruction to guide field operations with regard to the CBI process. The instruction included requirements designed to contribute to the standardization of key documents to ensure transparency, traceability and accountability of CBI funds. However, the operational context and the CBI implementation methods differ from operation to operation and therefore full standardization is not always feasible or cost effective and a certain level of flexibility and distinctiveness is inherent. UNHCR will

continue to review the country standard operating procedures (SOPs) and advise the field offices on requirements and best practices to maintain a consistent and clear trail of core documents substantiating the CBI transactions, while taking into account the unique country specific contexts.

Recommendation (paragraph 53)

29. *The Board encourages UNHCR to further strengthen its guidance to country operations to enhance cash-based intervention refund and cut-off procedures.*

Measures taken by the administration

30. The administrative instruction issued in 2017 included guidance to country operations on recording CBI expenses and refunds during a financial year, including the period crossing two financial years (known as cut-off procedures). While the responsibility of country operations to monitor refunds was emphasized in this instruction, UNHCR will take further action to strengthen the knowledge of field operations by disseminating additional guidance specifically designed to clarify processes regarding refunds and cut-off procedures. UNHCR will also conduct analytical reviews of CBI accounts at headquarters level and directly interact with country operations to minimize errors in recording CBI refunds at country level.

B. Sustainable development goals

Recommendations (paragraphs 99 and 100)

31. *The Board recommends that UNHCR formulate a corporate position on Sustainable Development Goal engagement.*

32. *[...] The Board recommends that based on the corporate position, UNHCR operationalize its Sustainable Development Goals engagement.*

Measures taken by the administration

33. Based on the strategic directions, UNHCR will pursue the formulation of a corporate position on the SDGs with input from operations, divisions and bureaux, which will then be presented for review and endorsement by the senior executive team. Based on the corporate position, UNHCR will then proceed with preparing a plan for the operationalization of its engagement on the SDGs.

Recommendation (paragraph 108)

34. *The Board recommends that, based on its corporate position on Sustainable Development Goal engagement, UNHCR develop a results-based management system which is able to reflect the position of UNHCR on Sustainable Development Goal engagement in order to demonstrate its contributions to the achievement of the goals in the long term.*

Measures taken by the administration

35. The ongoing RBM revision gives priority to facilitating the country-level planning processes and measuring of results. The alignment of the SDGs with the future RBM system will also be considered, with a primary focus on how the country-based results chain can assist the field operations in expressing their contribution to the country-specific endeavours, which are typically led by governments and supported by the United Nations country team.

36. The actual roll-out in the field operations of the decision made in respect of reflecting the SDG parameters in the RBM will only take place upon finalization of the entire RBM project. However, it is anticipated that the development of the future results structure will be completed by the end of the first quarter of 2019.

Recommendation (paragraph 126)

37. *The Board recommends that, based on the corporate position and guidance to operationalize the position, country operations map and align current approaches so as to develop a plan on how they intend to support the national governments in implementing the*

Sustainable Development Goals through support, where applicable, of the comprehensive refugee response framework, the United Nations country teams and the implementation of the United Nations Development Assistance Framework.

Measures taken by the administration

38. Based on the corporate position on SDGs, the countries will include, in their respective country operation plans, information on how to support the national governments in the implementation of UNDAF and other SDGs processes, in line with the CRRF and the multi–year multi–partner strategy, in those countries where this is applicable.

C. Fraud and corruption prevention

Recommendation (paragraph 145)

39. *The Board recommends that UNHCR country operations refine their risk assessments with regard to the identification of areas that are vulnerable to fraud and corruption.*

Measures taken by the administration

40. While fraud risk assessment is already embedded in the ERM processes, country operations will be further encouraged to continue refining the formulation of risks captured in their registers. To support the country operations, Headquarters will share additional guidance with the risk management focal points as part of the next risk review, which is linked to the detailed operational planning process for 2019. The focal points in charge of the risk management will be advised to hold discussions with management, staff and partners to ensure that the results of the fraud and corruption risk assessment are considered in planning, setting priorities, monitoring and other decision-making processes. UNHCR's recently issued "Handbook on fraud and corruption prevention" will form the underlying basis for initiating more structured risk assessments of fraud at country level and is expected to result in an improved monitoring of fraud warning signs and mitigation measures. Similarly, in-depth analysis will be carried out by the ERM Unit on risks identified at corporate level.

Recommendation (paragraph 148)

41. *The Board recommends that UNHCR country operations develop or enhance comprehensive overall anti-fraud and anti-corruption strategies that are customized to the local context when the risk assessment of a country operation reveals a higher vulnerability to fraud and corruption.*

Measures taken by the administration

42. UNHCR plans to take this recommendation forward by focusing on those country operations that have been identified as the most risk prone as part of the Risk Management 2.0 initiative. This initiative is designed to ensure that strategic planning and decision-making are consistently informed by operational and management risks, with the intent of proactively identifying and preventing potential fraud and corruption. The ERM Unit, in collaboration with the regional bureaux and the relevant functional units, will provide support to selected operations in developing the strategy and will ensure a harmonized approach.

Recommendation (paragraph 162)

43. *The Board recommends that UNHCR continue to actively promote awareness of the negative impacts of fraud, corruption, sexual exploitation and abuse with staff, partners, intermediaries and persons of concern.*

Measures taken by the administration

44. The Risk Management 2.0 initiative will contribute to addressing this recommendation, as one of the key objectives of the initiative is to increase integrity and to prevent fraud and corruption. Furthermore, several operations are already working with the Ethics Office to undertake campaigns and to circulate information in the form of video clips and general reminders on issues such as sexual harassment, exploitation and abuse.

D. Use of individual consultants

Recommendation (paragraph 172)

45. *The Board recommends that UNHCR enhance compliance with its policy and standard operating procedures on individual consultants, ensure effective consultant contract management and consider centralizing some tasks of the hiring units to obtain a higher level of specialization.*

Measures taken by the administration

46. In response to this recommendation, UNHCR will review its policy on consultants, elaborate new SOPs to strengthen, among others, the segregation of duties and the process of granting waivers, develop a fee calculation tool, establish a checklist of required actions and widen the scope of the clearance process by the Division of Human Resources in hiring consultants.

Recommendation (paragraph 174)

47. *The Board recommends that UNHCR establish a UNHCR-wide control to prevent duplicate payments of consultant fees from headquarters bank accounts in parallel to payments from the operation's bank account.*

Measures taken by the administration

48. UNHCR will examine the root cause of the error detected by the audit and will put in place additional controls to avoid such occurrences in future. This may include the design of a system in MSRP to enable an automatic notification when multiple payments are made by different offices to the same consultant for the same period of time.

Recommendation (paragraph 181)

49. *The Board recommends that UNHCR review its policy and the standard operating procedures for the use of individual consultants. During this process UNHCR should enhance the guidance on advertising requirements, the segregation of duties, waiver processes, processes to determine and negotiate consultant fees, documents supporting payment reconciliation and the file management process.*

Measures taken by the administration

50. Together with the steps to be taken as a result of the recommendation in paragraph 172, UNHCR will revise its policy and procedures on consultants. The organization will also include more guidance on requirements for the advertisement of posts, the establishment of fees, the segregation of duties and the process of obtaining waivers.

E. Selected observations on supply chain management

Recommendation (paragraph 213)

51. *The Board recommends that UNHCR assess how a more efficient management of core relief items in stock, which includes supplies of country operations, could be put in place. This assessment should address the question as to whether UNHCR might be seen as one organization with regard to "ownership" of its inventories.*

Measures taken by the administration

52. UNHCR will assess ways to achieve a more efficient management of core relief items in stock at global level and will develop a model accordingly. Relevant divisions, regional bureaux, country operations and partners will explore ways to collaborate from an operational and financial perspective in order to increase the efficiency in managing of core relief items.

F. Business continuity management from an information and communications technology perspective

Recommendation (paragraph 234)

53. *The Board recommends that UNHCR include the remaining applications in the disaster recovery plan to increase their data security.*

Measures taken by the administration

54. UNHCR will include the remaining applications in the disaster recovery plan, contingent upon sufficient funds being available.

Recommendation (paragraph 240)

55. *The Board recommends that UNHCR implement comprehensive backup and disaster recovery guidelines in every country operation. The guidelines should be embedded in the local business continuity management.*

Measures taken by the administration

56. The Division of Information Systems and Telecommunications will include the backup and disaster recovery guidelines in the ICT field operations manual. It will then be contingent upon each country operation to embed in their respective business continuity plan the requirements formulated in the ICT manual.

IV. Main recommendations outstanding for previous years and measures to address them

A. Report of the Board for the year ended 31 December 2016[2]

1. Global fleet management

Recommendation (paragraph 39)

57. *The Board recommends that country operations determine the numbers and types of vehicles needed to meet operational needs and document the underlying assumptions and how country operations arrived at their estimates. In case country operations need assistance with respect to an accepted methodology to estimate the number and types of vehicles needed for the operation, the Board encourages them to liaise with Global Fleet Management (GFM) for advice or additional guidance.*

Measures taken by the administration

58. In line with recently issued guidance, country offices were required to fill in country planning sheets for their fleets. These sheets were then reviewed and aggregated by the GFM Unit, shared and discussed with the bureaux and used in support of the annual programme review process for 2019. Meetings are set up with those operations which currently have fleets of 100 or more vehicles, in order to discuss their final figures for 2019 and the corresponding actions to be taken with regards to fleet and asset management. Through the use of the tools described above, UNHCR expects that country operations will be better equipped to determine the number and types of vehicles needed in order to meet the operational requirements for 2019.

[2] A/72/5/Add.6, chap. II

2. Investment strategy for after-service health insurance

Recommendation (paragraph 59)

59. *The Board recommends that UNHCR consider the possibility of long-term investments to cover risk-adequate financing of after-service health insurance liabilities.*

Measures taken by the administration

60. UNHCR has carried out a comprehensive Asset Liability Modelling (ALM) study to assess matching criteria between liabilities and assets, establish asset risk limits for an adequate investment strategy and confirm expected long term investment returns. The study has now been completed and the resulting information has also allowed UNHCR to assess opportunities to collaborate with other United Nations agencies to harmonize best practices in long-term investment management and to leverage contractual arrangements for the provision of investment management and legal services across the UN system with a view to reducing service fees due to economies of scale. Joint investment approaches are also being evaluated with the support of the United Nations Working Group on Common Treasury Services. UNHCR will prepare a long-term investment strategy and governance structure for the ASHI reserve to be approved by the High Commissioner.

3. Risk-based monitoring of implementing partnership expenses

Recommendation (paragraph 87)

61. *The Board reiterates its previous recommendation and encourages country operations enhance the quality of their monitoring activities for Project Partnership Agreements (PPAs) and pay greater attention to developing risk-based monitoring plans for individual PPAs and overall monitoring plans covering all PPAs in an operation. The Board also advised that these plans specifically consider the risk of fraud and extend checks to ensure accountability for the use of assets.*

Measures taken by the administration

62. UNHCR continues to provide guidance and support to country operations in applying higher quality risk-based monitoring, including for example through a series of workshops with the participation of an audit firm. A risk-based monitoring model was piloted in several countries and has resulted in notable improvements in the quality of monitoring of agreements with partners. Similar workshops are being offered to other operations that need such support.

Recommendation (paragraph 88)

63. *The Board also recommends that management in country operations and the regional bureaux regularly review the quality of financial and performance monitoring for projects implemented with partners.*

Measures taken by the administration

64. Increasing the quality of financial and performance reviews made by country operations relating to projects implemented with partners is a continuous endeavour. Outcomes of in-depth analysis and compliance checks performed in higher-risk countries are shared with other country operations to draw lessons learned and integrate those lessons in the subsequent operational cycles.

4. Managing systems, resources and people (MSRP) upgrade project

Recommendation (paragraph 105)

65. *The Board recommends that UNHCR document good practices and lessons learned from the Managing Systems Resources and People (MSRP) Upgrade Project and, where*

appropriate, use them for other IT projects. The Board expects this exercise to assist UNHCR in managing their projects in a more efficient way.

Measures taken by the administration

66. UNHCR is in the process of updating both the administrative instruction for ICT project governance and the internal "project management lifecycle" (PMLC) document, which together describe the process for delivering ICT projects. As part of the updated PMLC, a database will be put in place to enable UNHCR to collect and report on the lessons learned in respect of project management. Emphasizing that the responsibility for providing and analysing the information in the database rests with the business coordinator/project manager of each project, UNHCR believes that this database will constitute a valuable resource to inform future projects.

5. Procurement in country operations

Recommendation (paragraph 113)

67. *The Board recommends country operations to monitor non- purchase order (PO) purchases on a regular basis and assess whether further efficiency gains could be realised by com-piling individual "non-PO purchases" into framework agreements. The Board also advises that headquarters divisions liaise with country operations to explore how the monitoring and oversight of "non-PO purchases" could be facilitated.*

Measures taken by the administration

68. UNHCR reached the final stage of developing the monthly country supply report, which is designed to track key information regarding supply management by country operations, including the level and number of non-PO vouchers. The fine-tuning of the report is ongoing based on feedback received from the pilot operations. Its global launch is planned during the fourth quarter of 2018.

B. Report of the Board for the year ended 31 December 2015[3]

1. Financial management in country offices

Recommendation (paragraph 14)

69. *The Board recommends that UNHCR develop a set of processes, tools and reports that can be applied at the field level to enhance the financial management of programme budgets and expenditure. This should include stronger links between finance and programme staff in the field through joint analysis and review processes.*

Measures taken by the administration

70. To complement the tools that were mentioned in the previous updates on this recommendation, UNHCR is continuing the process of updating the programme manual, which will provide additional guidance, including on direct implementation as previously noted by the auditors. UNHCR, through its Global Learning Centre, is also initiating webinars to train colleagues on UNHCR's systems, tools and essential skills for programme management. The syllabus of such webinars includes among others a self-study component on Global FOCUS Insight, FOCUS Reader, FOCUS Client, Hyperion and MSRP Financial Reporting.

[3] A/71/5/Add.6, Chap. II

2. Enterprise risk management

Recommendation (paragraph 55)

71. *The Board recommends that risk registers be reviewed on at least a quarterly basis as a standing item at senior management meetings. Country office representatives should take a cyclical approach to scrutinizing risks and their mitigations to ensure that the risk process is fully embedded in their local business processes and utilized in the development of country office plans.*

Measures taken by the administration

72. UNHCR intends to revise its ERM policy to incorporate further suggested improvements, with the aim of completing the policy revision in 2019. The revision of the ERM policy will be made with due consideration to the updated standard on risk management which was recently issued by the International Organization for Standardization. The revision will also address the gaps and reflect the good practices identified under the recently launched Risk Management 2.0 initiative.

3. Accuracy of population data

Recommendation (paragraph 65)

73. *The Board recommends that UNHCR headquarters develop a formal reporting mechanism on the frequency and comprehensiveness of verification exercises, enabling it to obtain assurance as to the accuracy of the data regarding its existing population of concern, and provide a stronger link between the results and the deployment of resources.*

Measures taken by the administration

74. UNHCR plans to continue conducting verification exercises for 18 additional countries during 2018. In doing so, UNHCR will consistently make use of the standard reporting template that was developed and tested in the previous year and utilize the data quality script linked to the registration system (proGres). This script is run before and after each verification exercise in order to compare the change in population demographics and quality of data, and to assess the integrity of the registration systems. It is expected that, through the consistent use of such tools, the organization will be better able to ensure the accuracy of the population data.

(d) Resource prioritization

Recommendation (paragraph 88)

75. *The Board recommends that UNHCR [...] assess the merits of a multi-year planning approach to resource allocation decisions, as well as other models, such as targeted "deep dives" for the highest risk operations, and assess where these approaches should be rolled out further and where a lighter touch can be applied.*

Measures taken by the administration

76. A lessons learned process stemming from the pilot initiative to develop multi-year multi-partner strategies in 22 operations, with support by relevant Headquarters entities, has highlighted that UNHCR's business processes and systems are not yet fully set up to support multi-year planning. Therefore, the current focus will be to support the 22 operations in implementing and monitoring their strategies, before deciding whether to expand this approach to other countries.

C. Report of the Board for the year ended 31 December 2014[4]

Financial management within the education projects

Recommendation (paragraph 68)

77. *The Board recommends that UNHCR review the existing scrutiny process, as there is an opportunity to further challenge and document the cost-effectiveness of proposed interventions at the headquarters level. In doing so, UNHCR should review opportunities to include performance metrics which enable cost-effectiveness to be measured.*

Measures taken by the administration

78. UNHCR is currently reviewing the conceptual design for its future RBM system. The organization intends to link the information related to programme monitoring and financial implementation, in order to facilitate a cost-effectiveness analysis focusing on country operations, while allowing global aggregation of relevant information at the outcome and impact level.

V. Conclusion

79. UNHCR reiterates its commitment to addressing the recommendations made by the Board of Auditors and to further improving procedures, systems and controls in order to mitigate the identified risks. The Board's findings and recommendations will help the organization prioritize its resources in those areas where it is most exposed to risk.

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[4] A/70/5/Add.6, Chap. II